MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

General Information

Nature of business and principal activities	South African Grade 3 Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) within the Mopani District Municipal Area of Jurisdiction
Mayor	Cllr HM Thobejane
Chief Whip	Cllr ML Mongadi
Speaker	Cllr MJ Mahlo
Councillors	
	Cllr MJ Rakgoale (Exco Member)
	Cllr NV Lewele (Exco Member)
	Cllr MR Maakamela (Exco Member)
	Cllr PE Shai (Exco Member)
	Cllr B Mohlabe
	Cllr DM Sebela
	Cllr EC Du Preez
	Cllr JT Morema
	Cllr LV Shaai
	Cllr MA Mathaba
	Cllr MD Popela
	Cllr MF Madike
	Cllr MJ Modiba
	Cllr MM Komane
	Cllr MO Mathipa
	Cllr MR Malepe
	Cllr MS Kgohloane
	Cllr MT Mongadi
	Cllr SC Shokane
	Cllr SF Mahlo
	Cllr SL Mkansi
	Cllr SV Mametja
	Cllr TD Mogale
Accounting Officer	Mr TG Magabane
Registered office	Maruleng Municipal Offices 65 Springbok Street Hoedspruit
Business address	65 Springbok Street Hoedspruit 1380

General Information

Postal address	PO Box 627 Hoedspruit
Telephone Number	015-793 2409
Fax Number	015-793 2341
Email Address	Info@maruleng.gov.za
Website	www.maruleng.gov.za Investec Bank
Auditors	Audited by: Auditor-General of SA (AGSA)
Audit Committee members	Mr L Lankalibalela (Chairperson) Mr K Mosupa Ms R Ramutsheli Mr T Nonyane Ms J Mabuza

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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ASB	Accounting Standards Board
Acc pol	Accounting policies
AFS	Annual financial statements
AGSA	Auditor General of South Africa
GRAP	Generally Recognised Accounting Practice
Budget St	Statement of comparison of budget and actual information
PPE	Property, plant and equipment
UIF	Unemployment insurance fund
SALGA	South African Local Government Association
EPWP	Expanded Public Works Programme
CFS	Cash flow statement
PAYE	Pay As You Earn
VAT	Value Added Tax
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal standard chart of accounts
SFPOS	Statement of financial position
SFPER	Statement of financial performance

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the reporting period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 9.

The financial statements set out on pages 10 to 99, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

Mr TG Magabane
ACCOUNTING OFFICER - Municipal Manager

Audit Committee Report

Audit Committee Report

Audit Committee Report

Report of the Auditor General

To the Provincial Legislature of MARULENG LOCAL MUNICIPALITY

Audited by: Auditor-General of SA (AGSA)

28 February 2021

Accounting Officer's Report

The accounting officer submits his report under review.

1. Review of activities

Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in south african grade 3 municipality (local municipality) as defined by the municipal structures act. (act no 117 of 1998) within the mopani district municipal area of jurisdiction. The municipality operates principally in South Africa and [state other countries].

Net surplus of the municipality was R 90 831 701 (2019: surplus R 67 695 315).

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 681 377 520 and that the municipality's total assets exceed its liabilities by R 681 377 520.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

During the current financial year end, the world experienced the outbreak of the COVID-19 pandemic. This has had a negative impact on many economies as governments have ordered their citizens to stay at home, including South Africa.

The South African government ordered a national lockdown for 21 days, starting on Friday 27 March 2020 which was subsequently extended and relaxed in May 2020. As a result, all government instutions including municiaplities and services will be closed during this time.

The closure of municipalities had a negative impact on revenue from non exchange transactions, however, the impact on gross profit will be much smaller as the margins on revenue from no exchange transactions are small.

From a basic service service perspective, all key staff are able to work under the controlled regualtions issued by the office of the president and hence management do not anticipate any disruption to operations.
Management believe the municipality is in a strong financial and liquidity position to see through this pandemic and expect that COVID-19 will have not have a negative impact on the company’s net profit or cash flow position.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the period under review.

4. Accounting Officer's interest in contracts

The accounting officer declares not to have any interest in contracts of the municipality.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

The impact on the results of the municipality in adopting the above policies is reflected in note - to the financial statements.

Accounting Officer's Report

6. Accounting Officer

The position of the accounting officer of the municipality during the financial period under review were held by:

Name	Nationality	Changes
Mr TG Magabane	South African	Resigned Monday, 01 July 2019

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all municipal activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Councillors

The council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
  - Mayor
  - Speaker
  - Executive committee
  - Ordinary councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The mayor and council perform their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit committee

Mr L Lankalebalele was the Chairperson of the audit committee.The audit committee met during the period under review to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors onto the audit committee.

8. Bankers

The municipality banks with Standard Bank of South Africa.

9. Auditors

The Audited by: Auditor-General of SA (AGSA) will continue as the municipality's external auditors as prescribed by the Auditor-General Act (Act no 12 of 1995).

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	3	62 631	47 774
Receivables from exchange transactions	4	4 498 684	3 163 458
Consumers debtors	5	20 606 368	17 700 481
VAT receivable	6	10 153 388	9 505 309
Other receivables	7	2 742 991	2 291 963
Cash and cash equivalents	8	147 021 583	137 892 725
		185 085 645	**170 601 710**
Non-Current Assets			
Investment property	9	8 950 000	8 950 000
Transport assets	10	540 981 901	469 609 097
Intangible assets	11	150 004	298 294
Heritage assets	12	372 500	372 500
		550 454 405	**479 229 891**
Total Assets		**735 540 050**	**649 831 601**
Liabilities			
Current Liabilities			
Finance lease obligation	13	1 700 943	1 486 963
Trade and other payables from exchange transactions	14	30 278 277	30 062 148
Trade and other payables from non exchange transactions	15	5 074 091	5 476 777
Employee benefit obligations	16	9 486 919	8 824 558
Unspent conditional grants and receipts	17	1	5 112
		46 540 231	**45 855 558**
Non-Current Liabilities			
Finance lease obligation	13	752 585	2 453 528
Employee benefit obligations - long term	18	6 869 714	10 976 697
		7 622 299	**13 430 225**
Total Liabilities		**54 162 530**	**59 285 783**
Net Assets		**681 377 520**	**590 545 818**
Accumulated surplus		681 377 520	590 545 818

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	3 738 957	3 497 886
Rental of facilities and equipment	48	258 374	274 696
Interest received - receivables	19	8 833 713	6 135 275
Agency services	20	1 972 047	1 940 855
License and permits	21	1 783 485	2 716 240
Other revenue	24	1 996 250	1 686 615
Interest received - investment	19	7 286 507	8 071 510
Fair value adjustments	[9] & [12]	-	2 303 664
Total revenue from exchange transactions		**25 869 333**	**26 626 741**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	93 244 056	77 052 804
Traffic fines	23	533 300	610 071
Transfer revenue			
Government grants & subsidies - Operating	27	127 654 192	112 485 192
Government grants & subsidies - Capital	27	26 816 919	41 332 179
Total revenue from non-exchange transactions		**248 248 467**	**231 480 246**
Total revenue		**274 117 800**	**258 106 987**
Expenditure			
Employee related costs	28	(66 648 046)	(63 219 230)
Remuneration of councillors	45	(11 101 437)	(10 572 715)
Depreciation and amortisation	29	(20 313 048)	(19 194 386)
Reversal of impairments	30	(1 029 536)	(2 081 301)
Finance costs	31	(1 270 257)	(1 106 819)
Lease rentals on operating lease	22	-	(173 372)
Debt Impairment	33	(17 562 479)	(27 865 176)
Bad debts written off		(11 839 694)	-
Contracted services	46	(16 009 097)	(13 534 621)
Loss on disposal of assets and liabilities	34	(260 757)	(343 074)
General Expenses	32	(43 525 859)	(53 285 333)
Total expenditure		**(189 560 210)**	**(191 376 027)**
Actuarial Gains / (Losses)	18	6 274 111	964 355
Surplus for the year		**90 831 701**	**67 695 315**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2018	**522 850 503**	**522 850 503**
Changes in net assets		
Surplus for the year	67 695 315	67 695 315
Total changes	67 695 315	67 695 315
Restated* Balance at 01 July 2019	**590 545 819**	**590 545 819**
Changes in net assets		
Surplus for the year	90 831 701	90 831 701
Total changes	90 831 701	90 831 701
Balance at 30 June 2020	**681 377 520**	**681 377 520**
Note(s)	Correction of prior year errors47	

* See Note 47

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Property rates and service charges		68 784 076	57 822 273
Grants and subsidies		154 465 999	153 822 193
Interest income		16 120 220	14 206 785
Other receipts		-	3 627 470
		239 370 295	229 478 721
Payments			
Employee costs		(77 162 984)	(71 779 206)
Suppliers		(58 651 514)	(56 618 394)
Finance costs		-	-
Interest paid		(112 119)	(2 264 989)
		(135 926 617)	(130 662 589)
Net cash flows from operating activities	35	**103 443 678**	**98 816 132**
		103 443 678	98 816 132
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets	10	(92 976 147)	(97 498 524)
Movemennt intangible assets	11	148 290	-
Net cash flows from investing activities		**(92 827 857)**	**(97 498 524)**
Cash flows from financing activities			
Financial liability		(1 486 963)	4 705 211
Net increase/(decrease) in cash and cash equivalents		**9 128 858**	**6 022 819**
Cash and cash equivalents at the beginning of the year		137 892 725	131 869 906
Cash and cash equivalents at the end of the year	8	**147 021 583**	**137 892 725**

* See Note 47

Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Service charges-refuse revenue	3 723 744	-	**3 723 744**	3 738 957	**15 213**	
Rental of facilities and equipment	388 128	-	**388 128**	258 374	**(129 754)**	
Interest received (trading)	6 056 112	8 984 890	**15 041 002**	8 833 713	**(6 207 289)**	
Agency services	10 757 796	-	**10 757 796**	1 972 047	**(8 785 749)**	
License and permits	4 743 240	(2 000 000)	**2 743 240**	1 783 485	**(959 755)**	
Other revenue	2 949 168	-	**2 949 168**	1 996 250	**(952 918)**	
Interest earned - external investments	7 364 004	436 000	**7 800 004**	7 286 507	**(513 497)**	
Total revenue (excluding capital transfers and contributions)	**35 982 192**	**7 420 890**	**43 403 082**	**25 869 333**	**(17 533 749)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	82 416 420	4 932 635	**87 349 055**	93 244 056	**5 895 001**	
Traffic fines	398 088	-	**398 088**	533 300	**135 212**	
Transfer revenue						
Government grants & subsidies - Operating	127 505 016	149 000	**127 654 016**	127 654 192	**176**	
Government grants & subsidies - Capital	26 812 008	4 915	**26 816 923**	26 816 919	**(4)**	
Actuarial gain	-	-	**-**	6 274 111	**6 274 111**	
Total revenue from non-exchange transactions	**237 131 532**	**5 086 550**	**242 218 082**	**254 522 578**	**12 304 496**	
Total revenue	**273 113 724**	**12 507 440**	**285 621 164**	**280 391 911**	**(5 229 253)**	
Expenditure by type						
Employee related costs	(84 071 904)	6 313 420	**(77 758 484)**	(66 648 046)	**11 110 438**	
Remuneration of councillors	(11 485 896)	(19 995)	**(11 505 891)**	(11 101 437)	**404 454**	
Depreciation and amortisation	(28 589 232)	3 000 010	**(25 589 222)**	(20 313 048)	**5 276 174**	
Impairment loss	-	-	**-**	(1 029 536)	**(1 029 536)**	
Finance charges	(150 000)	(1 200 000)	**(1 350 000)**	(1 270 257)	**79 743**	
Debt impairment	(9 550 008)	(19 449 990)	**(28 999 998)**	(17 562 479)	**11 437 519**	
Bad debts written off	-	-	**-**	(11 839 694)	**(11 839 694)**	
Contracted services	(28 056 573)	(2 378 953)	**(30 435 526)**	(16 009 097)	**14 426 429**	
Other expenditure	(51 482 980)	2 939 074	**(48 543 906)**	(33 960 132)	**14 583 774**	
Bulk purchases	(1 500 000)	733 000	**(767 000)**	(608 293)	**158 707**	
Other materials	(3 350 016)	(49 980)	**(3 399 996)**	(4 238 052)	**(838 056)**	
Total expenditure	**(218 236 609)**	**(10 113 414)**	**(228 350 023)**	**(184 580 071)**	**43 769 952**	
Surplus/ (Deficit)	**54 877 115**	**2 394 026**	**57 271 141**	**95 811 840**	**38 540 699**	
Loss on disposal of assets and liabilities	(2 567 304)	-	**(2 567 304)**	(260 757)	**2 306 547**	
Surplus/ (Deficit) for the year	**52 309 811**	**2 394 026**	**54 703 837**	**95 551 083**	**40 847 246**	

Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**52 309 811**	**2 394 026**	**54 703 837**	**95 551 083**	**40 847 246**	

Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	209 785	(145 342)	**64 443**	62 631	**(1 812)**	
Call investment deposits	190 896 510	(91 896 510)	**99 000 000**	138 758 156	**39 758 156**	
Consumers debtors	34 706 014	(13 542 075)	**21 163 939**	25 038 327	**3 874 388**	
Other receivables	44 529 257	(27 629 963)	**16 899 294**	12 896 378	**(4 002 916)**	
Cash and cash equivalents	28 163 491	(11 465 812)	**16 697 679**	8 262 717	**(8 434 962)**	
	298 505 057	**(144 679 702)**	**153 825 355**	**185 018 209**	**31 192 854**	
Non-Current Assets						
Investment property	23 112 640	(14 162 640)	**8 950 000**	8 950 000	**-**	
Transport assets	727 056 961	(196 856 084)	**530 200 877**	540 981 901	**10 781 024**	
Intangible assets	1 618 215	(350 592)	**1 267 623**	150 004	**(1 117 619)**	
Heritage assets	372 500	-	**372 500**	372 500	**-**	
	752 160 316	**(211 369 316)**	**540 791 000**	**550 454 405**	**9 663 405**	
Total Assets	**1 050 665 373**	**(356 049 018)**	**694 616 355**	**735 472 614**	**40 856 259**	
Liabilities						
Current Liabilities						
Finance lease obligation	1 233 708	66 555	**1 300 263**	1 700 943	**400 680**	
Trade and other payables from exchange transactions	85 332 240	(61 301 646)	**24 030 594**	30 278 267	**6 247 673**	
Trade and other payables from non exchange transactions	-	-	**-**	5 074 091	**5 074 091**	
Employee benefit obligations	18 195 430	(9 248 215)	**8 947 215**	9 486 919	**539 704**	
Unspent conditional grants and receipts	-	-	**-**	1	**1**	
	104 761 378	**(70 483 306)**	**34 278 072**	**46 540 221**	**12 262 149**	
Non-Current Liabilities						
Finance lease obligation	3 471 503	(1 300 260)	**2 171 243**	752 585	**(1 418 658)**	
Employee benefit obligations - long term	24 383 209	(12 369 216)	**12 013 993**	6 869 714	**(5 144 279)**	
	27 854 712	**(13 669 476)**	**14 185 236**	**7 622 299**	**(6 562 937)**	
Total Liabilities	**132 616 090**	**(84 152 782)**	**48 463 308**	**54 162 520**	**5 699 212**	
Net Assets	**918 049 283**	**(271 896 236)**	**646 153 047**	**681 310 094**	**35 157 047**	
Net Assets						
Community Wealth/ Equity						
Accumulated surplus	918 049 283	(271 896 236)	**646 153 047**	681 310 094	**35 157 047**	

Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates, penalties & collection charges	78 122 894	(5 580 670)	**72 542 224**	72 910 475	**368 251**	
Service charges	5 311 256	(1 944 620)	**3 366 636**	3 738 957	**372 321**	
Other revenue	19 236 420	(2 000 000)	**17 236 420**	-	**(17 236 420)**	
Government grants - Operating	127 505 016	-	**127 505 016**	127 654 080	**149 064**	
Government grants - capital	26 812 008	4 915	**26 816 923**	26 816 919	**(4)**	
Interest	13 420 116	9 420 890	**22 841 006**	16 120 220	**(6 720 786)**	
	270 407 710	**(99 485)**	**270 308 225**	**247 240 651**	**(23 067 574)**	
Payments						
Suppliers and employees	(446 311 619)	267 797 975	**(178 513 644)**	(135 043 248)	**43 470 396**	
Finance costs	(150 000)	(1 200 000)	**(1 350 000)**	(112 119)	**1 237 881**	
	(446 461 619)	**266 597 975**	**(179 863 644)**	**(135 155 367)**	**44 708 277**	
Net cash flows from/ (used) operating activities	**(176 053 909)**	**266 498 490**	**90 444 581**	**112 085 284**	**21 640 703**	
Cash flows from investing activities						
Proceeds from sale of transport assets	2 567 304	-	**2 567 304**	148 290	**(2 419 014)**	
Decrease (increase) other non-current receivables	(372 500)	-	**(372 500)**	-	**372 500**	
Purchase of capital assets	(115 346 480)	(6 046 180)	**(121 392 660)**	(92 976 144)	**28 416 516**	
Net cash flows from investing activities	**(113 151 676)**	**(6 046 180)**	**(119 197 856)**	**(92 827 854)**	**26 370 002**	
Cash flows from financing activities						
Repayment of borrowings	4 705 211	(1 233 705)	**3 471 506**	(1 486 963)	**(4 958 469)**	
Movement in consumer deposits	947 661	-	**947 661**	-	**(947 661)**	
Net cash flows from financing activities	**5 652 872**	**(1 233 705)**	**4 419 167**	**(1 486 963)**	**(5 906 130)**	
Net increase/(decrease) in cash and cash equivalents	(283 552 713)	259 218 605	**(24 334 108)**	17 770 467	**42 104 575**	
Cash and cash equivalents at the beginning of the year	502 612 754	-	**502 612 754**	137 892 725	**(364 720 029)**	
Cash and cash equivalents at the end of the year	**219 060 041**	**259 218 605**	**478 278 646**	**155 663 192**	**(322 615 454)**	

Narrations to the Statement of Comparison of budget and Actual Amounts
Statement of financial performance
Revenue
Agency services

The revenue and expenditure budgets for agencies is reflected on a separate line items. People from neighbouring municipalities (fetakgomo tubatse, phalaborwa, bushbackridge etc.) are flocking to maruleng municipality due to good services that we are providing, these happened before March 2020.

Interest received on debtors

Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

- Due to pandemic the municipality experienced a high rate of non rates and taxes, Maruleng municipality is a tourism hub on which most of the properties are lodges, since the beginning of the year, the municipality did not experience a high level of tourim visiting the area.

Interest on external investment

- The municipality made deposits into the investment account and as a result there was an increase in interest earned.

Rental of facilities and equipment

- Most of the clients did not review their service level agreement for rental.

Licence and permits

- The number of learners licence applicants has decreased due to covid 19 pandemic, the office were closed from March until June 2020, The municipality had to implement with covid 19 protocol. The number of learners tested per day had to reduce to 50% due to social distancing.

Other revenue

- Less application for town planning and building plans due to slow development in tourism industries affected by covid 19 pandemic.

Traffic fines

- Adherence to work schedule, intensification of law enforcement and had joint operations with other stakeholders e.g. SAPS. Due to covid 19, the municipality had constant road blocks and many people were not working and the municipality had an increase of traffic flow.

Actuarial gains

- The effect of the changes on the medical aid assumption has unexpected increases in the subsidies and unpredicted movements in the membership profile.

EXPENDITURE

Employee related costs

- There was a delay in the appointment of top level management positions and other vancancies. The municipality has a total of 3 director posts that are still vacant. Namely Chief Financial Officer, Director Community services and director Spatial Planning.

Debt impairment

- Inadequate adherence of revenue enhancement strategy resulting in an increase of the provision for doubtful debts. The municipality has an increase in number of debtors whose accounts are in arrears for a period of 120 days and more.

Depreciation and amortisation

- There was a delay in some of the projects which were expected to be completed in 2019/20 and those project are still in WIP (those projects are Maruleng indoor sports center and kampersrus) and other projects were delayed due to covid 19 (maruleng low level bridges and fences for cemeteries)
-

Loss on sale of disposal

- Assets were fully impaired and only R260 757 on the assets register were disposed**.**

Contracted services

- As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on some of the line items.

General Expenses

- As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on line items considered to be not directly related to service delivery, such as operational programmes. The budget split other material and other expenditure while the AFS doesn’t split the two function, there are all called other expenditure on the AFS.

STATEMENT OF FINANCIAL POSITION

Receivables from exchange transactions

- New tariffs for 2019/20 were approved by council, which led to an increase in rates of services. On the MBRR the budget is

recorded as consumer debtors which include receivable from exchange transaction and receivable from non-exchange transactions.

Receivables from non - exchange transactions
- Compilation of Supplementary Valuation that is conducted monthly and Supplementary Valuation Roll.

Other debtors
- On the MBRR/budget other debtors consists of vat receivable and other debtors. Salary suspense account were not 100% cleared.

VAT receivable
- VAT returns for June 2018/19 financial year were paid in the 2019/20 financial year which decreased the VAT receivable. The budget is included under other debtors.

Inventory
- Lot of stock at hand was utilised during 2019/20.

Cash and Cash equivalents
- The municipality expected to receive more on cash when they do budgeting however the covid 19 affected the process..

Intangible assets
- There was a delay in procurement of IT equipment.

Payable from exchange transactions
- Lot of the projects for 2019/20 were under construction, which lead to more unpaid retention and accruals. The budget document does not split between payable from exchange transaction and exchange transaction they both called trade and other payable.

Payable from non-exchange transactions
- The municipality had a lot of deposit for building plans and community halls which was remaining in our book as outstanding creditors, the money is only paid to the customer after the municipality receiving completion certificates from building unit. The budget document does not split between payable from exchange transaction and exchange transaction they both called trade and other payable.

Unspent conditional grants
- The municipality spent 100% on the conditional grants

Provisions- Current liabilities
- The Basic Condition for Employment act (BCEA) rating was used to calculate leave provision. Before the BCEA rating, the number of days and salaries were used to calculate provision. The BCEA rating considers additional factors like acting allowance, overtime.

Provisions - Employee benefit obligation
- Post medical aid was decreased in the assumed proportion of in service members who continue their medical membership at and after retirement.

CAPITAL EXPENTURE

Roads infrastructure
- There was a delay in completion of projects due to covid 19 pandemic.

Cemeteries
- The implementation was supposed to be done in fourth quarter, due to covid 19, the projects were moved to 2020/21 financial period.

Computer equipment
- Delay in the appointment of service provider.

Machinery and equipment

Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

- Delay in appointment of service provider for own funding projects.

CASH FLOW STATEMENTS

Property rates, penalties and collection charges

- The municipality revenue for property rates was based on the actual budget that was made on 2019/20 financial period, the municipality managed to receive less revenue on property due to covid 19 pandemic.

Service charges

- The municipality revenue for services was based on the actual budget that was made on 2019/20 financial period, the municipality receive less revenue on services charges than anticipated due to covid 19 pandemic.

Interest

- The municipality cash flow revenue interests is less than anticipated. The covid 19 affected the market that’s why the interest rates was very low.

Suppliers and employees

- As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on line items considered to be not directly related to service delivery, such as operational programmes. The budget split other material and other expenditure while the AFS doesn’t split the two function, there are all called other expenditure on the AFS.

Capital expenditure

There was a delay in completion of projects due to covid 19 pandemic

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Municipal Finance Management Act (Act 56 of 2003).

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses have not been offset, except where offsetting is either required or permitted by a Standard of GRAP.

The annual financial statements presents fairly the financial position, performance and cashflow of the municipality.

1.1 Presentation currency

These financial statements are presented in South African Rand (R), rounded off to the nearest Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The Maruleng Local Municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note for Provisions.

Useful lives of property plant, equipment and intangible assets

The GPL's's management determines the estimated useful lives and related depreciation charges for the property plant and equipment, and software and development cost. This estimate is based on pattern in which as assets future economic benefit or services potential are expected to be consumed by the entity.

Effective interest rate

The GPL uses an appropriate rate, taking into account guidance provided in the accounting standards and applying

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

professional judgement to the specific circumstances to discount future cash flows.

1.4 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality’s objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality‘s objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.5 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

Determining what is part of the transfer of functions transaction

Accounting Policies

1.5 Transfer of functions between entities not under common control (continued)

The municipality as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the municipality as acquirer identifies any amounts that are not part of what the municipality as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the municipality as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

1.6 Transport assets

Initial recognition

Transport assets are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of transport assets is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Transport assets is initially measured at cost.

The cost of an item of transport assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of transport assets is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of transport assets have different useful lives, they are accounted for as separate items (major components) of transport assets.

Costs include costs incurred initially to acquire or construct an item of transport assets and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of transport assets, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of transport assets, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of transport assets ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of transport assets.

Transport assets is carried at cost less accumulated depreciation and any impairment losses.

When an item of transport assets is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Transport assets are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Accounting Policies

1.6 Transport assets (continued)

Transport assets is carried at cost less accumulated depreciation and any impairment losses.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset

Subsequent measurement - Land
Land is not depreciated as it is deemed to have an indefinite useful life. Subsequent to initial recognition, land is measured at fair value.

Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guideline:

Asset Description	Depreciation method	Useful Lifespan
Roads, pavements, bridges and storm water	Straight line	5- 100 years
Street names, signs and parking meters	Straight line	5-45 years
Communicty halls	Straight line	25 years
Libraries	Straight line	25 years
Recreation facilities	Straight line	25-100 years
Cemetery fencing	Straight line	10 years
Motor vehicles	Straight line	7-10 years
IT equipment	Straight line	5-7 years
Plant and equipment	Straight line	5-10 years
Office equipment	Straight line	5-7 years
Operational plant and equipment	Straight line	6-10 years
Finance Lease assets - Office equipment	Straight line	3-5 years
Books and Publications	Straight line	10-20 years
Office Furniture	Straight line	5-10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of transport assets with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Accounting Policies

1.6 Transport assets (continued)

Items of transport assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of transport assets is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of transport assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain transport assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition...

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	**Useful life**
Licenses and franchises	2 - 5 years
Computer software, other	5 -10 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Each item of intangible asset is amortised seperately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

Accounting Policies

1.7 Intangible assets (continued)

De-recognition.

Intangible assets are de-recognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Initial recognition and measurement

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations

A heritage asset as an asset if:
a) it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and
b) the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Accounting Policies

1.8 Heritage assets (continued)

Impairment

A heritage asset shall not be depreciated but the municipality shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The carrying amount of a heritage asset shall be derecognised:

(a) on disposal, or

(b) when no future economic benefits or service potential are expected from its use or disposal.

1.9 Investment property

Initial recognition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

Derecognition

The carrying amount of investment property shall be derecognised:

(a) on disposal, or

(b) when no future economic benefits or service potential are expected from its use or disposal.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

The nature OR type of properties classified as held for strategic purposes are as follows:

1.10 Inventories

Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequequent recognition

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and current replacement cost where they are held for distribution at no charge or for nominal charge. Redundant and slow-moving inventories are identified and written down to the lower of cost or current replacement value. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are held for own use with the result that it should be carried at the lower of cost or current replacement cost.

Cost formula

The cost of inventories is assigned by using the weighted average cost formula.

1.11 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of transport assets. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of transport assets includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.12 Financial instruments

Initial recognition

Financial instruments are initially measured at fair value, plus,(in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

The municipality classifies its financial assets into the following categories:
- loans and receivables; and
- fair value through profit and loss

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities

Accounting Policies

1.12 Financial instruments (continued)

of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Accounting Policies

1.12 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Accounting Policies

1.12 Financial instruments (continued)

Initial recognition

1.12 Financial instruments (continued)

Financial instruments are initially measured at fair value, plus,(in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Subsequent measurement

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The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

Trade and other receivables

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1.12 Financial instruments (continued)
municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

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Impairment of non-financial assets

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Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.12 Financial instruments (continued)

Subsequent measurement

1.12 Financial instruments (continued)

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

The municipality classifies its financial assets into the following categories:
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- fair value through profit and loss

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of

1.12 Financial instruments (continued)
Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

Accounting Policies

1.12 Financial instruments (continued)

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

1.13 Provisions and contingent liabilities

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

The municipality does not recognise a contingent liability. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.14 Leases

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Service charges

When the outcome of a transaction involving the rendering services can be estimated reliably, revenue associated with the transaction is recognised by the stage of completion of the transaction at the reporting date. The outcome of the transaction can be estimated reliably when the following are met:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably .

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

(a) the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
(b) the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective interest yield on the asset.

Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.Law enforcement official are able to impose fines on individuals considered to have breached the law. In these cases, the individual will normally have the choice of paying the fine, or going to court to defend the matter, where a defendant reaches an agreement with a prosecutor that includes the payment of penalty instead of being tried in court, the payment is recognised as a fine.

Fines are recognised at the full amount at transaction date. Subsequent to the initial recognition of revenue charged, the fines are assessed for impairment when the accounts fall into arrears.

Other revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.17 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity’s own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Accounting Policies

1.17 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

1.17 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.18 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforcement right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.19 Compound instruments

Conditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in an agreement/ arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Interest earned on the investment is treated in accordance with grant conditions.

1.20 Accumulated surplus

A statement of changes in net assets is included in the Annual Financial Statements that discloses the following:

- the effect of changes in accounting policies and correction of errors;

- the balance of retained earnings at the beginning of the period and at the balance sheet date and the changes during the period; and

- a reconciliation between the carrying amount of each class of reserves at the beginning and the end of the period.

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its financial statements.

1.22 Changes in accounting policies and estimates and prior year errors

Accounting policies

Accounting policies are only changed if required by an accounting standards or interpretation, the change will provide more relevant and reliable information or in terms of the transitional provisions of the new standards.

Accounting policy changes are applied retrospectively, including all comparative periods shown and their opening balances.

Change in estimates

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

(a) the period of the change, if the change affects that period only; or

(b) the period of the change and future periods, if the change affects both.

Prior period errors

Corrections are made retrospectively in the first set of financial statements authorised for issue after their discovery by:

1.22 Changes in accounting policies and estimates and prior year errors (continued)

(a) restating the comparative amounts for the prior period presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

1.23 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

The extent to which the asset is used for service delivery.

- Buildings (Public buildings)

- Infrastructure (Roads)

- Stormwatert

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Accounting Policies

1.23 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.23 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.23 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.24 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

1.24 Impairment of non-cash-generating assets (continued)

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.24 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.25 Significant judgements and estimates

Use of estimates.

The use of accounting estimates is an essential part in the preparation of financial statements. They arise as a result of uncertainties inherent in delivering goods, services and conducting trading activities.

The use of estimates does not undermine the reliability of the information presented as the estimate should be made using the latest available and most reliable information.

As and when the information on which the estimate is based changes, it also becomes necessary to revise the previous estimate. By nature, the revision of an estimate does not have an effect on prior periods and is therefore not a correction of a prior period error. A revision of an accounting estimate won't be seen to be a correction of an error provided the estimate was based on the latest and most reliable information available at the time that the estimate was made. An example of a change in accounting estimate will be the reassessment of the prior period impairment loss based on new information available in the current financial period.

Other provisions

Pension and other employment benefits

Post-employment benefits offered by the entity take the form of defined benefit plans. The cost of defined benefit pension plans, other post-employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

For key actuarial assumptions, refer to Notes 18.

1.26 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date.

Accounting Policies

1.26 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.27 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.28 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.29 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Accounting Policies

1.29 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.30 Presentation of budget policy

The following is presented as a note to the Financial Statement:

Last approved and final budget amounts (which includes changes made by management within the prescribed limits), budget and actual amounts on a comparable basis; and explanations of material differences between budget and actual amounts, except where explanations have been included in other documents published in conjunction with the financial statements and cross reference to these documents is made.

1.31 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

1.32 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.33 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.34 Events after reporting date

Events that occur after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Adjusting events

Events that provided additional evidence of the conditions that existed at the end of the reporting period.

Non-adjusting events.

Events which are indicative of the conditions that arose after the reporting period.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.35 Value Added Tax (VAT)

The municipality accounts for Value Added Tax on the cash basis.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	
• GRAP 20: Related parties	01 April 2019	
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	
• GRAP 107: Mergers	01 April 2019	
• GRAP 108: Statutory Receivables	01 April 2019	
• GRAP 109: Accounting by Principals and Agents	01 April 2019	
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2099	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact

Notes to the Financial Statements

• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact

3. Inventories

Raw materials, components	62 631	47 774

3.1 Movement for inventories

Stationery	(16 137)	14 526
Consumables	34 645	(3 795)
Maintenance - Building material	(3 651)	(124 959)
	14 857	**(114 228)**

4. Receivables from exchange transactions

Less: Provision for Doubtful Debts	(15 678 048)	(10 392 745)
Other debtors - sundry debtors	17 733 264	11 701 890
Trade debtors - Refuse / waste management	2 443 468	1 854 313
	4 498 684	**3 163 458**

Aged receivables from exchange transactions

Receivables from exchange transactions at 30/06/2020: R R20 176 732 (30/06/2019: R13 556 203).

Aged Debtors	-	-
Refuse and other	-	-
Current (0 - 30 days)	1 684 408	1 296 025
31 -60 days	1 159 261	1 162 137
61 - 90 days	240 062	972 588
91 - 120 days	1 086 062	797 399
120 days +	16 006 939	9 328 054
	20 176 732	**13 556 203**

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	10 392 745	6 049 743
Provision for impairment	5 285 304	4 343 002
	15 678 049	**10 392 745**

5. Consumers debtors

Fines	3 915 495	3 458 575
Consumer debtors - rates	103 322 178	90 752 271
Provision for Impairment - Receibables for rates and traffic fines	(86 631 305)	(76 510 365)
	20 606 368	**17 700 481**

Notes to the Financial Statements

Figures in Rand	2020	2019

Debtors for rates and traffic fines

		2020	2019
Rates		103 322 177	90 752 271
Less: Provision for debt impairment		(83 791 746)	(74 013 904)
		19 530 431	**16 738 367**

		2020	2019
Fines		3 915 495	3 458 575
Less: Provision for debt impairment		(2 839 559)	(2 496 460)
	-	**1 075 936**	**962 115**

	2020	2019
Debtors ageing rates	-	-
Current (0 - 30 days)	7 187 868	4 589 598
31 - 60 days	4 433 098	4 191 783
61 - 90 days	3 940 240	3 617 470
91 - 120 days	3 556 791	3 295 011
120 days +	84 204 180	75 058 409
Total (rates)	**103 322 177**	**90 752 271**
	-	-
	-	-

Summary of debtors:

Summary of debtors by customers classification: Rates, fines, refuse and other

	Consumers	Industrial Commercial	Government	Total
Current (0 - 30 days)	2 481 700	3 380 367	792 866	6 654 933
31 - 60 days	1 701 247	2 352 174	1 441 580	5 495 001
61 - 90 days	1 330 013	1 741 011	1 133 821	4 204 845
91 - 120 days	1 302 051	2 076 770	1 257 665	4 636 486
120 days +	24 024 506	56 812 528	21 670 611	102 507 645
Subtotal (aged debtors)	**30 839 517**	**66 362 850**	**26 296 543**	**123 498 910**
Fines (not aged)	-	-	-	3 915 495
Gross receivables from non-exchange transactions	**30 839 517**	**66 362 850**	**26 296 543**	**127 414 405**

Reconciliation of debt impairment provision

	2020	2019
	-	-
Balance at the beginning of the year	86 903 109	60 763 379
Adjustement to provision:	15 406 245	26 139 730
	102 309 354	86 903 109
Balance at the end of the year	(102 309 354)	(86 903 109)
	-	-

	2020	2019
Rates, traffic fines, refuse & other		
Balance at the beginning of the year	(86 903 109)	(60 763 379)
Adjustement to provision:	-	-
Refuse & other	(5 285 304)	(4 343 002)
Rates	(9 777 842)	(21 454 406)
Fines	(343 099)	(342 322)
	(102 309 354)	**(86 903 109)**

Notes to the Financial Statements

Figures in Rand	2020	2019
Consists of:		
Refuse & other	(15 678 048)	(10 392 745)
Rates	(83 791 746)	(74 013 904)
Fines	(2 839 559)	(2 496 460)
	(102 309 353)	**(86 903 109)**

The amount for the provision as at 30 June 2020 was R 102 310 365 and on 30 June 2019 was R 89 903 109

In light with the accounting policy of Maruleng Municipality on account receivables, a provision is made on accounts which are overdue for more than 90 days. Based on the debtor's ageing analysis above, an average of 73% is noted on accounts which are overdue in the previous three years which indicates the significant backlog of recoverability of outstanding debtors that falls due for over 90 days and therefore the provision made based on 90 days plus benchmark appears to be reasonable.

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6. VAT receivable

VAT	10 153 388	9 505 309

7. Other receivables

Mopani Loan Account - District (Water Services)	27 885 421	25 729 186
Provision for Mopani Loan Account	(27 885 420)	(25 729 186)
Salary Clearing Account	1 223 034	1 317 701
Deposits	6 188	7 936
Other debtors (Treasury)	1 513 768	966 326
	2 742 991	**2 291 963**

Inter-municipal receivables		
Gross debtors	27 885 420	25 729 186
Provision for debt impairment	(27 885 420)	(25 729 186)
	-	-

Reconciliation of debt impairment provision

Inter-municipal debtors		
Balance at the beginning of the year	(25 729 186)	(24 003 740)
Adjustments to provision	(2 156 234)	(1 725 446)
	(27 885 420)	**(25 729 186)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on floats	710	710
Bank balances	8 262 717	16 420 366
Call deposits	138 758 156	121 471 649
	147 021 583	**137 892 725**

Notes to the Financial Statements

Figures in Rand	2020	2019

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	**30 June 2019**	**30 June 2018**	**30 June 2020**	**30 June 2019**	**30 June 2018**
Current account (primary bank account) - Standard Bank Hoedspruit Branch : Account Number 033355487	6 312 238	15 196 956	23 975 116	8 263 427	16 420 365	23 469 057
Standard Bank Account: Call deposit Account - Account number: 038579111-02 Bank statement balance at the beginning of the period	103 249 495	87 814 368	76 745 655	103 249 495	87 814 368	76 745 655
Investec Bank Account: 32 days notice account - Account number 1100464721500 Bank statement balance at the beginning of the period	35 508 661	33 657 281	31 654 483	35 508 661	33 657 281	31 654 483
Total	**145 070 394**	**136 668 605**	**132 375 254**	**147 021 583**	**137 892 014**	**131 869 195**

9. Investment property

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	8 950 000	-	8 950 000	8 950 000	-	8 950 000

Reconciliation of investment property - June 2020

	Opening balance	**Total**
Investment property	8 950 000	8 950 000

Reconciliation of investment property - June 2019

	Opening balance	**Fair value adjustments**	**Total**
Investment property	6 796 836	2 153 164	8 950 000

Pledged as security

During the financial period ended 30 June 2020, no components of investment property were pledged as security for-borrowings or banking facilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Financial Statements

Figures in Rand

10. Transport assets

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	20 872 000	-	20 872 000	20 872 000	-	20 872 000
Plant and machinery	3 956 056	(953 967)	3 002 089	3 970 307	(581 952)	3 388 355
Furniture and Office Equipment	5 282 252	(3 545 045)	1 737 207	5 197 242	(3 240 420)	1 956 822
Transport assets	13 605 302	(2 841 390)	10 763 912	11 841 251	(4 962 694)	6 878 557
Computer equipment	8 635 952	(5 208 077)	3 427 875	8 010 696	(3 393 059)	4 617 637
Infrastructure - roads	234 205 494	(33 170 885)	201 034 609	182 259 768	(27 344 851)	154 914 917
Community assets	227 668 100	(110 893 199)	116 774 901	227 162 863	(99 776 932)	127 385 931
WIP - Infrastructure	167 370 835	-	167 370 835	133 120 523	-	133 120 523
Electrical infrastructure	10 732 274	(9 722 224)	1 010 050	10 732 274	(9 565 118)	1 167 156
Other assets	111 813	(96 530)	15 283	96 813	(87 784)	9 029
Solid waste infrastructure	552 410	(499 564)	52 846	552 410	(477 761)	74 649
Storm water infrastructure	16 854 820	(1 934 526)	14 920 294	15 510 834	(287 313)	15 223 521
Total	**709 847 308**	**(168 865 407)**	**540 981 901**	**619 326 981**	**(149 717 884)**	**469 609 097**

Notes to the Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - June 2020

	Opening balance	Additions	Disposals	Transfers received/Out	Depreciation	Impairment loss	Total
Land	20 872 000	-	-	-	-	-	20 872 000
Plant and machinery	3 388 355	3 956	(11 826)	-	(377 927)	(469)	3 002 089
Furniture and Office Equipment	1 956 822	194 954	(6 201)	-	(393 876)	(14 492)	1 737 207
Transport assets	6 878 557	5 220 060	(227 572)	-	(1 107 133)	-	10 763 912
Computer equipment	4 617 637	692 608	(15 157)	-	(1 866 511)	(702)	3 427 875
Infrastructure - roads	154 914 917	51 945 727	-	-	(5 344 693)	(481 342)	201 034 609
Community assets	127 385 931	505 237	-	-	(10 599 280)	(516 987)	116 774 901
WIP - Infrastructure	133 120 523	86 196 040	-	(51 945 728)	-	-	167 370 835
Electrical infrastructure	1 167 156	-	-	-	(157 106)	-	1 010 050
Other assets	9 029	15 000	-	-	(8 746)	-	15 283
Solid waste infrastructure	74 649	-	-	-	(21 387)	(416)	52 846
Storm water infrastructure	15 223 521	-	-	-	(288 100)	(15 127)	14 920 294
	469 609 097	**144 773 582**	**(260 756)**	**(51 945 728)**	**(20 164 759)**	**(1 029 535)**	**540 981 901**

Notes to the Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - June 2019

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	20 872 000	-	-	-	-	-	20 872 000
Plant and machinery	514 267	3 015 440	(11 521)	-	(111 466)	(18 365)	3 388 355
Furniture and Office Equipment	1 637 330	993 854	(72 166)	-	(421 898)	(180 298)	1 956 822
Transport assets	4 965 033	3 994 583	-	-	(1 317 339)	(763 720)	6 878 557
Computer equipment	925 041	4 987 853	(29 872)	-	(1 244 956)	(27 371)	4 617 637
Infrastructure - roads	105 832 309	-	-	54 880 685	(4 713 186)	(1 084 891)	154 914 917
Community assets	136 806 476	1 292 952	(171 614)	-	(10 541 883)	-	127 385 931
WIP - Infrastructure	105 496 317	82 504 891	-	(54 880 685)	-	-	133 120 523
Electrical infrastructure	1 608 193	-	(57 900)	-	(378 252)	(4 885)	1 167 156
Other assets	19 338	-	-	-	(8 538)	(1 771)	9 029
Solid Waste Infrastructure	95 977	-	-	-	(21 328)	-	74 649
Storm water Infrastructure	15 510 834	-	-	-	(287 313)	-	15 223 521
	394 283 115	**96 789 573**	**(343 073)**	**-**	**(19 046 159)**	**(2 081 301)**	**469 609 097**

Pledged as security

During the financial year ended 30 June 2020, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

The municiplaity is initiationg a process of engaging the private occupier in erf 196 to enter into a new arrangement. The land was leased to the private occupier pre 1994 at 99c per annum.

Notes to the Financial Statements

Figures in Rand	2020	2019

Details of Valuation

Land was fair valued on 30 June 2016.

Valuation details.

The effective date of the valuations remains 30 June 2016.

The valuation was performed by an an independednt valuer, Hangwani Petrus Matildza, who is not connected to the municipality and has experienced and knowledge regarding the location and category of the property being valued. The valuation was based on open market value for existing use. All assumptions used to arrive at the fair values were based on current market conditions. The Council policy is to revalue every four years.

Other information

	2020	2019
Property, plant and equipment fully depreciated and still in use (Gross carrying amount)		
Movables assets	451	67
Infrastructure assets	68	-
	519	**67**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Financial Statements

Figures in Rand

11. Intangible assets

	2020			2019		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1 084 089	(934 085)	150 004	1 084 089	(785 795)	298 294

Reconciliation of intangible assets - June 2020

	Opening balance	**Amortisation**	**Total**
Computer software	298 294	(148 290)	150 004

Reconciliation of intangible assets - June 2019

	Opening balance	**Amortisation**	**Total**
Computer software	447 467	(149 173)	298 294

Pledged as security

During the financial period ended 30 June 2020, no components of intangible assets were pledged as security for borrowings or banking facilities.

Notes to the Financial Statements

Figures in Rand

12. Heritage assets

	2020			2019		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Heritage assets	372 500	-	372 500	372 500	-	372 500

Reconciliation of heritage assets - June 2020

	Opening balance	Total
Heritage assets	372 500	372 500

Reconciliation of heritage assets - June 2019

	Opening balance	Revaluation increase/(decrease)	Total
Heritage assets	222 000	150 500	372 500

Notes to the Financial Statements

Figures in Rand	2020	2019

13. Finance lease obligation

Minimum lease payments due		
- within one year	1 758 989	1 599 081
- in second to fifth year inclusive	759 010	2 518 000
	2 517 999	4 117 081
less: future finance charges	(64 471)	(176 590)
Present value of minimum lease payments	**2 453 528**	**3 940 491**

Present value of minimum lease payments due		
- within one year	1 700 943	1 486 963
- in second to fifth year inclusive	752 585	2 453 528
	2 453 528	**3 940 491**

Non-current liabilities	752 585	2 453 528
Current liabilities	1 700 943	1 486 963
	2 453 528	**3 940 491**

The average lease term was 3 years and the average effective borrowing rate was 10.5% (2019: 10.5%).

14. Trade and other payables from exchange transactions

Trade creditors	10	50 113
Retentions	16 659 097	16 589 073
Accruals	10 011 542	10 783 173
Unknown deposits	3 504 764	2 602 326
Operating lease - deferred liability	26 844	26 844
Other creditors - Dept Roads & Transport	76 020	10 619
	30 278 277	**30 062 148**

15. Trade and other payables from non exchange transactions

Amounts received in advance - Consumer debtors	4 764 726	4 409 585
Trade and other payables	309 365	1 067 192
	5 074 091	**5 476 777**

16. Employee benefit obligations

The total amounts recognised in the statement of financial position are as follows:

Leave provision	7 255 204	6 980 485
Bonus provision	1 528 390	1 218 017
Provision for performance bonuses	703 325	626 057
	9 486 919	**8 824 559**

Notes to the Financial Statements

Figures in Rand	2020	2019

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Expanded Public Works Programme Grant	1	193
Municipal Infrastructure Grant (MIG)	-	4 919
	1	**5 112**

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Financial Statements

Figures in Rand	2020	2019

18. Employee benefit obligations - long term

Amounts recognised in the statement of financial position are as follows:	2020	2019
Long service awards	3 106 713	3 041 912
Post employment medical aid	3 763 000	7 934 785
	6 869 713	**10 976 697**

Long service awards.

Long service awards relate to the legal obligation to provide long service leave awards.
.
Actuarial benefits has been perfomed on all 150 employees as at 30 June 2020 that are entitled to long services awards.The long service awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liabilty.

Maruleng offers bonuses every five years of completed services from 10 years to 45 years.

The amount recognised in the statement of financial position is as follows:	2020	2019
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	3 106 713	3 041 912

Change in the present value of the defined benefit obligation are as follows:	2020	2019
Opening accued liability	3 041 912	3 293 859
Current service cost	301 068	296 857
Interest cost	259 920	286 518
Acturial gains and losses	(371 848)	(489 829)
Expected contributions (benefits paid)	(124 339)	(345 493)
	3 106 713	**3 041 912**

Notes to the Financial Statements

Figures in Rand	2020	2019

Key assumptions used

Assumption used at the reporting date		
Discount rates used	7.53%	8.66%
General salary inflation	4.09%	5.77%
Net discount rate	3.30%	2.73%
Normal retirement age	65	63
Post employment medical aid		

An actuarial valuation has been performed in respect of post-employment medical benefits which employees may become entitled to after retirement.

The employee post employment health care liability consists of the commitment to pay a portion of the Pensioners Medical Scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical schemes after the death of the pensioner.

A summary of assumptions was provided to the municipality.

The medical aid contribution is an actuarial calculation which was performed by ARCH Actuarial Consulting, an acturial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes. Currently there are no pensioners being subsidised for medical aid contributions hence no benefits payment

The amount recognised in the statement of financial position is as follows:

Carrying value		
Present value of the defined benefit obligation- wholly unfunded	3 763 000	7 934 785

Change in the present value of the defined benefit obligation are as follows:		
Opening accrued liability	7 934 785	6 879 809
Current service cost	832 260	796 803
Interest cost	898 218	732 699
Acturial gains and losses	(5 902 263)	(474 526)
	3 763 000	**7 934 785**

Calculation of actuarial gains and losses		
Actuarial gains/ (losses)	(5 902 263)	(474 526)

Key assumptions used

Assumption used at the reporting date		
Discount rates used	11.49%	11.32%
Net discount rate	3.81%	2.54%
Health care cost inflation	7.40%	8.56%
Consumer cost inflation	7.06%	7.06%

19. Interest revenue

Interest revenue		
Interest received - receivables	7 286 507	8 071 510
Interest received - investment	8 833 713	6 135 275
	16 120 220	**14 206 785**

Notes to the Financial Statements

Figures in Rand	2020	2019

20. Agency services

Water and Sanitation	1 972 047	1 940 855

21. Licences and permits

Traffic learners and drivers' licences	1 783 485	2 716 240

22. Lease rentals on operating lease

Equipment		
Contractual amounts	-	173 372

23. Traffic fines

Traffic fines	533 300	610 071

24. Other revenue

Rezoning	-	118 000
Valuation certificates	4 753	5 396
Library fines	3 365	2 275
Building plans	1 414 208	677 889
Signboards, adverts etc	10 830	22 924
Zoning certificates	-	1 912
Trading licence fees	2 644	1 497
Building inspection fee	149 503	212 211
Library membership fees	1 716	4 615
Membership fees	21 751	30 562
Clearance certificates	219 563	261 245
Tender documents	162 347	348 089
Handling fees	5 570	-
	1 996 250	**1 686 615**

25. Service charges

Refuse removal	3 738 957	3 497 886

26. Property rates

Rates received

Property rates	109 946 494	92 157 510
Less: Income forgone	(16 702 438)	(15 104 706)
	93 244 056	**77 052 804**

Valuations

Residential	5 716 895 194	3 056 042 875
Commercial	1 350 108 281	794 387 212
State	301 655 000	620 509 000
Agricultural	1 968 315 626	6 246 808 303
Other	2 638 013 852	595 274 209
	11 974 987 953	**11 313 021 599**

Notes to the Financial Statements

Figures in Rand	2020	2019

27. Government grants and subsidies

Operating grants		
Equitable share	124 492 000	109 416 192
Financial Management Grant (FMG)	1 900 000	1 900 000
Expanded Public Works Programme (EPWP)	1 113 192	1 169 000
Disaster Management Relief Fund (MDRG)	149 000	-
	127 654 192	**112 485 192**
Capital grants		
Municipal Infrastructure Grant	26 816 919	41 332 179
	154 471 111	**153 817 371**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Equitable Share

Current-year receipts	124 492 000	109 416 192
Conditions met - transferred to revenue	(124 492 000)	(109 416 192)
	-	-

Provide explanations of conditions still to be met and other relevant information.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	193	192
Current-year receipts	1 113 000	1 169 000
Conditions met - transferred to revenue	(1 113 192)	(1 168 999)
Unspent amount transferred to liabilities	**1**	**193**

This grant is used to provide skills and temporary work to unemployed people

Financial Managment Grant

Current-year receipts	1 900 000	1 900 000
Conditions met - transferred to revenue	(1 900 000)	(1 900 000)
Unspent amount transferred to liabilities	**-**	**-**

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met.

Disaster Management Relief Grant

Current-year receipts	149 000	-
Conditions met - transferred to revenue	(149 000)	-
Unspent amount transferred to liabilities	**-**	**-**

This grant was used for COVID-19 personal protective equipment for employees of the municipality during.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	4 919	98

Notes to the Financial Statements

Figures in Rand	2020	2019
Current-year receipts	26 812 000	41 337 000
Conditions met - transferred to revenue	(26 816 919)	(41 332 179)
	-	**4 919**

Conditions still to be met - remain liabilities (see note 17).

This grant was used to construct the municipal infrastructure to provide basic services for the benefits of the households within the municipality's jurisdiction. The conditions of the grant were met. No funds have been withheld by National Treasury on grounds of failure to meet grant conditions.

Notes to the Financial Statements

Figures in Rand	2020	2019

28. Employee related costs

Employee related costs - Salaries and wages	46 456 233	46 041 214
Employee related costs - social contributions	11 256 292	10 365 255
Travel, motor car, accommodation, subsistence and other allowances	6 787 938	4 762 864
Long-service awards	1 133 328	291 194
Housing benefits and allowances	1 014 255	961 900
Post retirement benefits	-	796 803
	66 648 046	**63 219 230**

Municipal Manager

Annual Remuneration	560 084	-
Car Allowance	347 068	-
Travel and other allowances	173 152	-
Contributions to UIF, Medical and Pension Funds	119 636	-
	1 199 940	**-**

Remuneration of Chief Financial Officer

Ms F Sekgobela was appointed as the acting Chief Financial Officer from 1 July 2019 to date and her acting allowance was RNil

Director: Technical Services

Annual Remuneration	426 307	503 715
Car allowances	276 000	-
Travel and other allowances	207 219	231 133
Contributions to UIF, Medical and Pension Funds	8 543	1 260
	918 069	**736 108**

Director: Community Services

Annual Remuneration	-	437 418
Car Allowance	-	133 156
Payments in lieu of leave	-	211 792
Travel and other allowances	-	175 943
Contributions to UIF, medical and Pension Funds	-	96 019
	-	**1 054 328**

The post for Director: Community Services was vacant during the year.

Director: Spatial Development and Planning

Annual Remuneration	-	541 378
Car Allowance	-	154 374
Travel and other allowances	-	155 083
Contributions to UIF, medical and Pension Funds	-	89 581
	-	**940 416**

The post for Director: Spatial Development and planning was vacant during the year.

Director: Corporate Services

Annual Remuneration	523 635	439 287

Notes to the Financial Statements

Figures in Rand	2020	2019
Car allowance	180 000	-
Travel and other allowances	47 575	224 695
Contributions to UIF, Medical and Pension Funds	148 876	85 657
	900 086	**749 639**

29. Depreciation and amortisation

Transport assets	1 107 133	1 317 339
Electrical Infrastructure	157 106	378 252
Machinery and Equipment	377 927	111 466
Furniture and Office Equipment	393 875	421 898
Computer Equipment	1 866 511	1 244 956
Roads Infrastructure	5 344 693	4 713 186
Storm water Infrastructure	288 100	287 313
Community Assets	7 292 964	7 203 167
Other assets	8 746	8 538
Buildings	3 306 323	3 338 716
Solid Waste Infrastructure	21 387	21 328
Intangible assets	148 290	149 173
	20 313 055	**19 195 332**

30. Impairment loss

Impairments		
Transport assets	-	763 720
Machinery and Equipment	469	18 365
Library books	-	1 771
Computer Equipment	702	27 371
Furniture and office equipment	14 492	180 298
Roads Infrastructure	481 342	1 084 891
Electrical infrastructure	-	4 885
Community assets	516 987	-
Solid waste infrastructure	416	-
Storm water	15 127	-
	1 029 535	**2 081 301**

31. Finance costs

Finance leases	112 119	87 602
Other interest paid	1 158 138	1 019 217
	1 270 257	**1 106 819**

Notes to the Financial Statements

Figures in Rand	2020	2019

32. General expenses

Compensation Commissioner	352 700	402 908
Advertising	133 716	226 597
Audit fees	4 266 813	4 484 135
Bank charges	297 699	281 725
Computer expenses	54 322	39 300
Legal expenses	1 408 465	2 376 573
Free basic electricity	608 293	332 118
Insurance	593 591	1 084 088
Functions and events	675 632	5 419 635
Fuel and oil	1 957 982	1 609 249
Printing and stationery	1 133 976	1 189 691
Protective clothing	544 664	658 551
Repairs and maintenance	2 346 105	2 473 609
Refreshment	43 369	80 414
Subsistence, travel & accomodation	8 108 073	11 437 990
Training	2 054 187	755 957
Telephone & cellphone costs	787 842	803 649
Electricity - Utilities	2 339 115	2 575 605
Internal Audit	70 159	512 873
Membership fees	887 287	821 096
Stores and material	340 035	442 449
Ward committes	2 491 500	3 063 189
Professional fees	10 798 149	11 161 271
Bursary Fund	207 389	135 510
Other expenses	1 024 796	917 151
	43 525 859	**53 285 333**

33. Debt impaiment

Contributions to debt impairment consumers	15 063 146	25 797 408
Contributions to debt impairment traffic fines	343 099	342 322
Contributions to debt impairment inter-municipal debtor	2 156 234	1 725 446
	17 562 479	**27 865 176**

34. Loss on disposal of assets

Loss on disposal of assests		
Porperty, plant and equipment	260 757	343 074

Notes to the Financial Statements

Figures in Rand	2020	2019

35. Cash generated from operations

Surplus	90 831 701	67 695 315
Adjustments for:		
Depreciation and amortisation	20 313 048	19 194 386
Gain on sale of assets and liabilities	260 757	343 074
Fair value adjustments	-	(2 303 664)
Impairment deficit	1 029 536	2 475 530
Debt impairment	29 402 172	27 865 176
Movements in retirement benefit assets and liabilities	-	1 788 054
Movements in provisions	-	803 029
Finance cost - employee benefit obligation	1 270 257	(1 019 217)
Actuarial gains/(losses)	(6 274 111)	(964 355)
Movemenet in employee benefit liability	1 559 232	1 983 589
Accumulated suprlus non cash adjustment	-	(455 996)
Changes in working capital:		
Inventories	(14 857)	114 228
Receivables from exchange transactions	(7 071 557)	(1 577 028)
Other receivables from non-exchange transactions	(27 022 758)	(28 124 582)
Trade and other payables from exchange transactions	216 134	8 590 208
VAT	(648 079)	3 372 186
Taxes and transfers payable (non-exchange)	(402 686)	(968 621)
Unspent conditional grants and receipts	(5 111)	4 820
	103 443 678	**98 816 132**

36. Additional disclosures in terms of Section 125 of Municipal Finance

Contribution to SALGA

Council membership fees payable	883 248	821 096
Amount paid current year	(883 248)	(821 096)
	-	-

Audit fees

Current year audit fee	4 345 349	4 484 135
Amount paid current year	(4 345 349)	(4 484 135)
	-	-

PAYE & UIF

Current payroll deductions	11 086 004	10 559 313
Amount paid current year	(11 086 004)	(10 559 313)
	-	-

Pension and Medical Aid Deductions

Current payroll deductions	11 461 102	10 254 235
Amount paid current year	(11 461 102)	(10 254 235)
	-	-

VAT

VAT is accounted for on the cash basis. VAT input receivables and VAT output receivable are shown in note 6. All VAT returns have been submitted throughout the year.

37. Councillor's arrears consumer accounts

Councillors do not have services and rates accounts to the municipality.

Figures in Rand	2020	2019

38. Commitments

Commitments in respect of capital and current expenditure

Approved and contracted for:		
Current	25 615 118	49 765 462
Capital	214 388 747	228 927 817
	240 003 865	**278 693 279**

The expenditure will be financed from:

Sources		
Government grants	28 312 193	41 242 140
Internal sources	211 691 672	237 451 139
	240 003 865	**278 693 279**

39. Contingent liabilities

Nature of the event		
Dispute on subcontracting	300 000	300 000
Claims on the house gutted by fire	6 500 000	6 500 000
Application on appeal by Maruleng Civil Warriors	-	264 946
Dispute on Accoount balance by Hoedspruit township developer (event occured after year end)	-	500 000
Contractual claim	200 000	200 000
Application for access of information in terms of PAIA	-	350 000
Application to compell the municipality to approve the site development plan	-	400 000
Application to oppose exhumation of the body	-	300 000
Claims on the on Daktari Wildlife Orphanage	-	200 000
	7 000 000	**9 014 946**

Contingent assets

Nature of the event		
Claims against employee on Rental Car	-	500 000
Summons issued on the matter of Maruleng Local municipality suing Bidvest Car Rental	600 000	-
	600 000	**500 000**

Notes to the Financial Statements

Figures in Rand	2020	2019

40. Unauthorised, irregular, fruitless and wasteful expenditure

Irregular expenditure

Opening balance	44 897 213	27 665 393
Irregular expenditure current year:		
Award above 30 000 not evaluated for price and BBBEE level	-	256 914
VAT excluded in the calculation of pricing points	-	343 650
Award made beyond the scope of the original contract through regulation 32	-	1 559 545
Award made to a bidder who is also a consultant of the municipality	-	951 517
Award advertised for less than 30 days	-	5 235 116
Procurement awarded supplier without following SCM procedures. (Moshoana Mabena Mogane Inc.)	-	346 155
Steyn & Clarke	-	162 102
Rental car - Three quotations not obtained	-	26 070
Award advertised for less number of days - Nweti WaTilo	9 133 826	8 350 751
Award advertised for less number of days - Security - Hlimbyi Trading Enterprise	9 247 309	-
Award advertised for less number of days - Office equipment rental - Anaka	2 387 320	-
Award advertised for less number of days - MFMP Training	2 204 938	-
Condoned by council	(3 761 262)	-
Closing balance	64 109 344	44 897 213
	64 109 344	**44 897 213**

The balance as at 30 June 2019 was R44 897 213. The balance as at 30 June 2020 was R64 109 344 that is currently under investigation.

Fruitless and wasteful expenditure

Opening balance	2 958 030	2 296 198
Reimbursement of rental car involved in an Accident	-	531 513
Over payment of Vat input on lease contract	-	130 319
	-	-
Written off by council	(598 627)	-
	2 359 403	**2 958 030**

Additional text

Unauthorised expenditure

Opening balance	32 894 876	14 229 699
Over-spending on the Budget & Treasury vote due to non-cash items (depreciation & debt impairment)	-	18 665 177
Written off by council	(14 229 699)	-
	18 665 177	**32 894 876**

Notes to the Financial Statements

Figures in Rand	2020	2019

41. Related party disclosures

During the year, in the ordinary course of business, transactions between the Municipality and the under-mentioned parties have occurred under terms and condition no more favourable than those entered into with third parties in an arm's length transaction.

Related party transactions

Loan accounts - Owing (to) by related parties		
Mopani District Municipality	27 885 420	25 729 186
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Department of roads and transport	78 178	10 619

S55 and S57 Employees/Employees remuneration — Refer to Employee related costs note 27

Remuneration of Councilors — Refer to Remuneration of Councilors note 44

42. Risk management

Interest rate risk

The municipality has significant interest-bearing assets and as a result there of the municipality's income and operating cashflows are substantially dependent of changes in market interest rate.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Maximum credit risk exposure	2020	2019
Receivables from exchange transactions	4 498 684	2 857 464
Cash and cash equivalents	147 021 583	137 892 725
Other receivables	2 742 990	2 291 963
	154 263 257	**143 042 152**

Notes to the Financial Statements

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43. Deviation from supply chain management regulations

Regulation 36 of the Municipal SCM Reugation of 2005 provides for deviation from and rectification of minor breaches of procurement processes. The deviation reports includes limited bidding, emergency and urgent procurement as well as avoidable deviations. The following expections were recorded for the period under review:

DATE	NAME OF SERVICE PROVIDER	DESCRIPTION OF GOODS AND SERVICES	AMOUNT	REASON FOR DEVIATION
11/07/2019	SETPLAN	Data updates deeds data	117 127.50	The Institute that runs the program is a sole provider
15/07/2019	Munsoft	ICT forum	21 850.00	IT is the Municipality system vendor
19/07/2019	Leadership Academy	Training for Mahlo MC and Malepe EN	79 810.00	The Institute that runs the training
24/07/2019	IMPSA	Conference registration fee for Magabane TG and Makgato MY	10 700.00	The Institute that provides the conference
24/07/2019	IMPSA	Conference fee for Ntimane FL and Ramohlola KP	10 700.00	The Institute that provides the conference
25/07/2019	Classic (PMI)	Registration and tuition fee for Machubene MC	15 930.00	The Institute that provides the training and runs the training
25/07/2019	Annual labour law conference	Conference for Ntimane FL	6 750.00	The Institute that runs / provides the training/service
29/07/2019	Annual labour law conference	Conference for Makgato MY	6 750.00	The Company that runs the conference
29/07/2019	CIGFARO	Registration for Magoro and Phuti & Lesley	9 950.00	The Institution that provides the conference
06/08/2019	Government Printing	Erratum notice on rate policy	1 008.80	The Institute that provides the advertisement / Sole trader
26/08/2019	IMPSA	Fee for Ntimane FL, Ramohlola KP,Magabane TG and Makgato MY	18 200.00	The Institute that provides the conference
26/08/2019	SAIAT	Registration for Morema A	1 700.00	The Custodian for Architectural Technologist
26/08/2019	SAIAT	Registration fee for Phasha D	1 700.00	The Institute that provides the training/workshop
27/08/2019	SAGE	Payment for Thabie Seoke	2 472.50	The Company has an contract with Maruleng Municipality
13/09/2019	IIASA	Payment for Magoro MJ,Lephalala P and Somo ML Attending leader	27 784.00	The institute that provide the conference

Notes to the Financial Statements

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17/09/2019	SALGA	Payment fee for Mailula M.G,Marule D.K and Hanong K for the planning law conference	3 600.00	The institute that runs national member assembly conference.
18/09/2019	WITS	Tuition fee for Morema A	39 000.00	The institute that provide the programme
15/10/2019	SACPLAN	Membership fee for Mukhetoni TN attending SACPLAN	870.00	The statutory council of nominated members appointed in terms of planning profession
31/10/2019	SAIV	Registraion fee for Sithole K, Phahlane M,Maponya B ND Sibiya P Attending MPRA	4 950.00	The statutory council of nominated members appointed in terms of planning profession
10/11/2019	IIASA	Payment for Magoro MJ, Lephalala P and Somo ML Attending leader	27 784.00	The institute that provide the conference
27/11/2019	IIASA	Registration for Somo.Magoro and Lephalala	7 400.00	The only institute that offers the training
10/12/2019	Leardership Academy	Registration for magoro,Somo and Mangena	15 047.10	Is the only service provider that offers the training
29/07/2019	Anaka groups	Rental of photocopying machine	190 445.43	Section 32
09/09/2020	Anaka group	Rental of photocopying machine	184 960.33	Section 32
04/10/2019	Anaka group	Rental of photocopying machine	153 820.27	Section 32
24/10/2019	Anaka group	Rental of photocopying machine	164 048.93	Section 32
10/09/2019	Kgolo institute	Mfmp training	374 526.25	Section 32
29/11/2019	Kgolo institute	Mfmp training	184 086.25	Section 32
29/11/2019	Anaka group	Rental of photocopying machine	186.067.05	Section 32
13/12/2019	Kgolo institute	Mfmp training	502 837.50	Section 32
18/12/2019	Anaka group	Rental photocopying machine	197 787.28	Section 32
24/01/2020	Anaka group	Rental of photocopying machine	211 931.61	Section 32
08 /01/2020	BZ SOLUTIONS AFRICA (PTY) LTD	Supply and delivery of Motor Grader	3 492 621.00	Transversal Tender
08/01/2020	BZ SOLUTIONS AFRICA (PTY) LTD	Warranty ,Service plan , Fuel and Spare wheel , registrations for the Motor Grader	410 550.00	Transversal Tender
21/01/2020	NSG	Registration fee for Ntimane FL	6 750.00	The only Service Provider that provide the training to persons in the Public Service
31/01/2020	IIASA	Payment for Magoro J, Somo L and Mangena F	13 800.00	The institution that providing the training

Notes to the Financial Statements

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25/02/2020	munsoft	Registaration for Maponya B and Maimela P	22 139.80	Is the system that our Municipality is using and the company has a contract with the Municipality
26/02/2020	Anaka group	Rental of photocopying machine	231 457.53	Section 32
02/03/2020	SAIOSH	Registration for Mahowa R	1 144.25	The institution that is providing this training
02/03/2020	SAGE VIP	Registration for Gouws j and Seoke T	4 945.00	The institution that is providing this training
20/03/2020	Kgolo institute	Mfmp training	573 246.25	Section 32
25/03/2020	Kgolo institute	Mfmp training	570 241.88	Section 32
25/03/2020	Anaka group	Rental of photocopying machine	259 967.09	Section 32
21/04/2020	Anaka group	Rental of photocopying machine	178 134.02	Section 32
22/05/2020	Anaka group	Rental of photocopying machine	188 661.51	Section 32
26/06/2020	Anaka group	Rental of photocopying machine	197 483.82	Section 32
29/06/2020	Barloworld Equipment	426F2 Backhoe Loader TLB	1 142 460.33	Transversal Tender
24/06/2020	Truvelo Manufactures (Pty) Ltd	Calibration of speed measuring machine	9 570.00	Truvelo manufactures (Pty) Ltd is the manufacture of the speed trap machine used by the Municipality
Total	-	-	**9 714 984.05**	-

Notes to the Financial Statements

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44. Commitments

Current commitments 2019/20

Description	Contract Number	Appointment date	Name of Companies	Contract amount	Total Expenditure 2017/2019	VAT	Total Expenditure 2018/2019	Balance at 30 June 2019	Total Expenditure 2019/2020	Balance at 30 June 2020
Provision of waste removal and landfill site management services for a period of three years	MLM/SCM/23/2017	01/11/2017	Nweti Wa Tilo T/A daily double 386 Cc	24 349 684	4 004 704	10 391 380	14 396 084	9 953 600	9 163 152	790 448
-	-	-	Munsoft	1 684 750	-	-	1 684 750	-	-	-
Compilation of AFS	SC03/06/2019	24/06/2019	MUNSOFT	1 850 000	-	-	-	1 850 000	1 850 000	-
Compilation of GRAP Compliant Asset Register for a period of three years	MLM/SCM/11/2018	26/06/2018	Cathu Consulting Inc	5 545 703	-	-	172 500	5 373 203	2 030 391	3 342 811
Provision of Security Services for period of three years	MLM/SCM/32/2018	17/10/2018	Hlimbyi Trading Enterprise	29 226 379	-	-	5 235 116	23 991 263	9 247 309	14 743 954
Leasing of Photocopying Machines for a period of 3 years		29/11/2018	Anaka Groups	6 033 770	-	787 013	855 342	5 178 428	2 387 320	2 791 108
Minimum Competancy Level Training MFMP	MLM/SCM	18/12/2018	Kgolo Institute	-	-	-	704 203	-	2 204 938	-
Supply and Delivery of Vehicles	MLM/SCM/15/2019	14/05/2019	Bolombe 82 Trading and Projects	5 920 833	-	-	3 994 583	1 926 250	2 087 250	-161 000
Fencing of Molalane Graveyard	MLM/SCM/52/2018	13/06/2019	Sekaka Building and Construction	357 901	-	-	-	-	357 901	-
Fencing of Mahlomelong Graveyard	MLM/SCM/53/2018	13/06/2019	Maatebele Construction and Projects	343 650	-	-	-	-	343 650	-

Fencing of Worcester Graveyard	MLM/SCM/50/2018	13/06/2019	Phokele Trading Enterprise	374 731	-	-	-	-	374 731	-
Fencing of Sofaya Graveyard	MLM/SCM/51/2018	13/06/2019	Frontpage Security and Projects	316 030	-	-	-	-	316 030	-
Fencing of Sedawa Graveyard	MLM/SCM/49/2018	13/06/2019	Seopa Oben Projects (PTY) LTD	308 176	-	-	-	-	308 176	-
Supply and Delivery of Road Maintanence Material	MLM/SCM/6/2019	13/06/2019	Mojammilo Investment	-	-	-	-	-	89 879	-
Restoration of Municipal Building	MLM/SCM/05/2019	13/06/2019	Sekwai Construction	1 890 545	-	-	-	-	1 262 536	628 009
Upgrading of Server Room	MLM/SCM/16/2019	18/06/2019	Fima Consultancy	593 709	-	-	-	-	593 709	-
Supply and Fitment of Tyres for a period of three years	MLM/SCM/19/2019	27/06/2019	Maruleng Tyres and Fitment	-	-	-	-	-	576 094	-
Provision of short term brokerage services for three years	-	01/07/2019	Kunene Makopo Risk Solutions	671 935	-	-	-	-	671 935	-
Supply and Delivery of Protective Clothing EPWP	-	24/08/2019	White Hall Trading & Projects	90 459	-	-	-	-	90 459	-
Cash in transits for a period of one year	MLM/SCM/05/2019	29/11/2019	Fedelity Cash Solutions (PTY) LTD	120 170	-	-	-	-	106 342	13 828
Supply and Delivery of 426 F2 BACHOE Loader 4x4 TLB	-	29/06/2020	Barloworld Equipment	1 142 460	-	-	-	-	-	1 142 460
Supply and Delivery of Motor Grader	-	08/01/2020	BZ Solutions Africa (PTY) LTD	3 492 621	-	-	-	-	3 492 621	-

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Supply and Delivery of Warranty, Service Plan, Fuel and Spare Wheels	-	08/01/2020	BZ Solutions Africa (PTY) LTD	410 550	-	-	-	-	410 550	-
Supply and Delivery of Protective Clothing	-	14/01/2020	White Hall Trading & Projects	420 871	-	-	-	-	420 871	-
Supply and Delivery of Office Stationery	-	15/01/2020	Tshego Legacy (PTY) LTD	199 125	-	-	-	-	199 125	-
Supply and Delivery of Laptops and Carry Bags	-	09/03/2020	Kgosimac Projects (PTY) LTD	487 250	-	-	-	-	487 250	-
Maintenance of Street Lights	-	14/05/2020	Piano Trading (PTY) LTD	196 000	-	-	-	-	-	196 000
Supply and Deliveries of Diaries	-	12/12/2019	White Hall Trading & Projects	106 260	-	-	-	-	106 260	-
-	SC01/05/2020	43836.00	Munsoft (Pty)Ltd	2 127 500	-	-	-	-	-	2 127 500
-	-	-	-	**88 261 061**	**4 004 704**	**11 178 393**	**27 042 578**	**48 272 743**	**39 178 480**	**25 615 118**

**Refer to tender document for payment terms and value

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Capital Commitments 2019/20

PROJECT NAME	CONTRACTOR NAME	CONTRACT NUMBER	TYPE	CONTRACT	-	APPOINMENT AMOUNT	PAYMNETS (incl VAT)	RETENTION RAISED (INCL VAT)	RETENTION PAID OUT	ACCRUAL	BALANCE	STATUS
-	-	-	-	START DATE	END DATE	-	-	-	-	-	-	-
INDOOR SPORTS	DANE PROJECTS	MLM/16/2012	CONSULTANT	28/02/2013	30/06/2019	10 571 612	9 662 905	-	-	-	908 707	In progress
-	MPFUMELELO BUSINESS ENTERPRISE	MLM/16/2012	CONTRACTOR	28/11/2014	30/06/2019	55 001 052	48 198 893	4 994 681	-	-	1 807 478	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation of Kampersrus Road	RYNTEX CONSULTING ENGINEERS	MLM/SCM/23/2018	CONSULTANT	25/05/2018	30/6/2021	3 082 250	2 143 922	-	-	-	938 327	In progress
-	MALERATA TRADING	-	-	-	-	21 888 460	3 229 853	300 311	-	-	18 358 295	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
Newline Ga-Fani Access Road	HLAYELANI CONSULTING ENGINEERS	MLM/SCM/21/2018	CONSULTANT	31/05/2018	30/6/2021	4 619 517	3 989 595	-	-	-	629 921	In progress
Newline Ga-Fani Access Road	KOEPHU BUSINESS ENTERPRISE	-	CONTRUCTOR	23/04/2019	-	32 996 547	9 831 605	1 092 401	-546 200	-	22 072 541	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
Butswana acces road	MORULA CONSULTING ENGINEERING	MLM/SCM/19/2018	CONSULTANT	10/05/2018	30/6/2021	3 836 043	2 200 963	-	-	-	1 635 080	In progress
Butswana acces road	STONE FOUND ENGINEERING	-	CONTROCTOR	14/05/2019	-	26 445 263	8 366 549	929 617	-464 808	-	17 149 098	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
Worcester access road	DINATLA CONSTRUCTION AND CIVIL WORKS	MLM/SCM/2018	CONTRUCTOR	23/04/2019	-	28 289 959	8 379 336	931 037	-465 519	-	18 979 586	In progress
Worcester access road	MORWA CONSULTING	-	CONSULTANT	-	-	3 630 227	3 183 561	-	-	-	446 666	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-

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Willows Access Road	NFM MULTI CONSULTANT	MLM/SCM/14/2018	CONSULTANT	31/05/2018	30/6/2021	2 692 826	2 223 099	-	-	-	469 726	In progress
Willows Access Road	TAINAMA CIVILS	-	CONTROCTOR	23/04/2019	-	23 516 524	7 568 427	840 936	-	-	15 107 161	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
Hoedspruit Internal Street	MDRT	MLM/SCM/24/2018	CONTRACTOR	09/12/2019	09/12/2022	22 964 513	3 297 514	366 390	-	-	19 300 609	In progress
Hoedspruit Internal Street	SIYEZA CONSULTING ENGINEERS	MLM/SCM/37/2016	CONSULTANT	02/08/2019	09/12/2022	3 215 032	1 850 334	-	-	-	1 364 698	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
MARULENG LOW LEVEL BRIDGE NEW	PHEKISO CONSULTING ENGINEERS	MLM/SCM/37/2016	CONSULTANT	02/08/2019	02/08/2022	3 949 683	1 724 381	-	-	-	2 225 302	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
SOFAYA INTERNAL STREET	TSHATSHU CONSULTING AND PROJECTS MANAGERS	MLM/SCM/37/2016	CONSULTANT	02/08/2019	02/08/2022	9 968 734	575 000	-	-	-	9 393 734	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
LORRAINE COMMUNITY HALL	LAZWI ENGINEERS	MLM/SCM/37/2016	CONSULTANT	02/08/2019	02/08/2022	1 402 022	573 578	-	-	-	828 443	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
Calais Internal Street	MONT CONSULTING	MLM/SCM/37/2016	CONSULTANT	02/08/2019	02/08/2022	3 415 568	862 166	-	-	-	2 553 402	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
REHABILITATION SEKORORO ROAD	TSHINO CONSULTING ENGINEERS	MLM/SCM/37/2016	CONSULTANT	43504.00	-	4 243 584	573 941	-	-	-	3 669 643	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
BALLON ACCESS ROAD	NEMORANGO CONSULTING ENGINEERS	MLM/SCM/03/2016	CONSULTANT	01/02/2016	30/06/2020	6 886 319	6 066 156	-	-	-	820 163	In progress
-	Zerbacraft JV Lance Management Services	-	CONTRACTOR	29/06/2018	-	45 009 571	21 914 499	2 434 944	-	-	20 660 128	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-

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BISMARK ACCESS ROAD	ENDECON UBUNTU ENGINEERING CONSULTANTS (PTY) LTD	MLM/SCM/17/2018	CONSULTANT	18/05/2018	30/6/2021	2 433 354	2 170 671	-	-	-	262 683	In progress
BISMARK ACCESS ROAD	MARTMOL TRADING	-	-	-	-	18 543 473	2 717 700	662 435	-	-	15 163 337	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
Santeng Graveyard Access Road	VICTORY DEVELOPMENT	MLM/SCM/14/2018	CONSULTANT	21/05/2018	30/6/2021	2 531 905	1 956 998	-	-	-	574 907	In progress
Santeng Graveyard Access Road	KETEKA TRADING	-	CONTRUCTOR	23/04/2019	-	17 709 134	6 073 077	674 786	-337 393	-	10 961 270	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
SEDAWA ACCESS	NFM MULTI CONSULTING PTY LTD	MLM/SCM/02 2/2014	CONSULTANT	41676.00	24/03/2017	4 486 651	2 397 087	-	-	-	2 089 564	In progress
-	MOEPENG TRADING 40	-	CONTRUCTOR	28/12/2014	13/09/2018	10 834 510	9 415 367	1 227 937	-1 070 543	-	191 206	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
Calais Sports Field	SKY HIGH CONSULTING	MLM/SCM/25/2018	CONSULTANT	25/05/2018	30/6/2021	6 206 897	4 795 853	-	-	-	1 411 044	In progress
Calais Sports Field	LUBCON CIVILS	-	CONTRUCTOR	17/09/2018	-	37 762 881	21 266 759	2 370 552	-1 141 628	-	14 125 570	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
ELECTRIFICATION OF SCOTIA	MORWA - MOTSHO CONSULTING	MLM/21/2015	CONSULTANT	06/08/2015	14/03/2018	488 733	446 431	-	-	-	42 302	Completed
-	MADZ ELECTRICAL	MLM/21/2015	CONTRACTOR	24/02/2016	14/03/2019	4 526 465	4 002 806	421 348	-210 674	-	102 311	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
HLOHLOKWE ACCESS ROAD PHASE 3	KSS INVESTORS	MLM/16/2012	CONTRACTOR	21/12/2016	30/07/2018	8 822 135	8 037 131	879 498	-419 870	-	-94 494	In progress
-	-	-	-	-	-	-	-	-	-	-	-	-
HLOHLOKWE ACCESS ROAD PHASE 3	LEBP CONSTRUCTION	-	CONTRACTOR	-	-	11 397 806	6 767 026	676 717	-457 837	-	3 954 063	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-

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HLOHLOKWE ACCESS ROAD PHASE 2	PGN CIVILC	MLM/16/2012	CONTRACTOR	-	-	4 292 101	3 861 249	429 028	-214 514	-	1 824	Completed
-	MODIRO CONSULTING	-	CONSULTANT	28/02/2013	30/08/2018	2 757 690	2 635 861	-	-	-	121 829	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
METZ INTERNAL STREET PHASE 2	SILVER SOLUTIONS 884	-	CONTRACTOR	-	-	7 935 962	6 306 092	663 799	-497 874	-	966 071	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
WILLOWS SPORT CENTRE	TM AFRIKA ENGINEERING	MIG/LPO771/CF/07/09	CONSULTANT	-	23/8/2017	2 207 199	1 867 281	-	-	-	339 918	Completed
-	MOSIKE JV RURAFO ENTERPRISE	MIG/LPO771/CF/07/09	CONTRACTOR	25/09/2015	23/8/2017	6 161 145	5 071 242	563 471	-563 471	-	526 431	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
FINALE ACCESS ROAD	MARUPUTLE LA CONSULTANCY	MLM/05/2015	CONSULTANT	03/05/2016	22/6/2018	3 200 716	1 968 348	-	-	-	1 232 368	Completed
-	KOEPHU	MLM/05/2015	CONTRACTOR	04/07/2017	22/6/2018	13 698 785	12 321 101	1 369 011	-1 373 969	-	8 672	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
LORRAINE STORMWATER	MORULA CONSULTING	-	CONSULTANT	-	-	489 260	489 260	-	-	-	-	Completed
-	LAGFACE TRADING	-	CONTRACTOR	-	-	2 956 789	2 706 394	295 679	-147 839	-	-45 283	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
MAKGAUNG ACCESS ROAD	MORULA CONSULTING & PROJECT	MLM/SCM/06/2015	CONSULTANT	11/01/2016	17/7/2018	1 955 885	1 959 210	-	-	-	-3 325	Completed
-	XB CONSTRUCTION	MLM/SCM/06/2015	CONTRACTOR	04/07/2017	17/7/2018	14 113 708	12 609 408	1 401 045	-1 411 311	-	103 254	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
LORRAINE ACCESS ROAD	MALERATE CONSTRUCTION	MLM/SCM/04/2016	CONTRACTOR	04/07/2017	30/9/2018	14 915 792	13 317 113	1 472 840	-669 000	-	125 839	Completed
LORRAINE ACCESS ROAD	TM AFRIKA ENGINEERING SERVICES	MLM/SCM/04/2016	CONSULTANT	19/04/2016	30/9/2018	2 506 740	2 456 476	-	-	-	50 263	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-

KANANA TO MAHLOMELONG ACCESS ROAD	MORULA CONSULTING ENGINEERS	MLM/SCM/07/2015	CONSULTANT	11/01/2016	17/7/2018	2 298 448	1 888 190	-	-	-	410 257	Completed
-	MAKEYISE TRADING	MLM/SCM/07/2015	CONTRACTOR	04/07/2017	17/7/2018	14 070 147	12 433 622	1 381 514	-1 390 665	-	255 011	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
GA-MAMETJA LOW LEVEL BRIDGE	NGUNGWA DEVELOPMENT	MLM/SCM/09/2015	CONTRACTOR	21/07/2017	24/07/2018	4 388 880	3 945 301	438 367	-440 552	-	5 212	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
METZ LOW LEVEL BRIDGE	NGUNGWA DEVELOPMENT	MLM/SCM/09/2015	CONTRACTOR	21/07/2017	24/07/2018	4 907 648	4 397 889	488 654	-490 842	-	21 104	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLOMELONG LOW LEVEL BRIDGE	URICH CONSULTING	MLM/SCM/09/2015	CONTRACTOR	21/07/2017	24/07/2018	4 823 728	4 356 505	484 981	-486 604	-	-17 758	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
Madeira Access Roads	SEROADIME CONSULTING ENGINEERS	MLM/SCM/20/2018	CONSULTANT	18/05/2018	30/6/2020	2 288 765	2 288 765	-	-	-	-	Completed
Madeira Access Roads	TAOLA CONSTRUCTION CC	-	CONTRACTOR	18/09/2018	-	16 348 321	14 713 488	1 634 832	-1 102 653	-	-	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
The Oaks Internal Street	PHAMELA ENGINEERING SERVICES (PTY) LTD	MLM/SCM/13/2018	CONSULTANT	18/05/2018	30/6/2020	2 845 445	2 845 444	-	-	-	-	Completed
The Oaks Internal Street	MATLALA NYAPELE	-	CONTRUCTOR	-	-	16 154 144	14 758 722	1 395 422	-1 027 088	-	-	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
Branding of hoedspruit	KOSHLINE	MLM/25/2012/2013	CONTRACTOR	28/06/2013	16/11//2016	2 705 000	2 048 086	227 565	-227 419	-	429 349	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
Willows sports	TM Africa	MIG/LP0771/CF/07/09	CONSULTANT	19/12/2012	27/09/2016	1 415 772	1 379 033	-	-	-	36 739	Completed
willows sports	Melrose	-	CONTRUCTOR	-	-	6 161 145	5 071 242	620 318	-400 147	-	469 584	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
Mahlomelong Access road	SANDELA CONSULTING	-	CONSULTANT	-	-	959 000	959 000	-	-	-	-	Completed

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Mahlomelong Access road	STARSMILLS	-	CONTRUCTOR	-	-	6 850 000	5 624 537	508 924	-286 549	-	716 540	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
Maruleng low level bridge phase 1	SOLIDARITY	-	CONTRUCTOR	-	-	7 305 318	6 427 757	626 840	-561 741	-	250 721	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
Metz internal street	NFM MULTI CONSULTANT	MLM/17/2012	CONSULTANT	28/02/2013	-	2 137 785	1 865 009	-	-	-	272 775	Completed
Metz internal street	ZACKS	-	CONTRUCTOR	-	-	6 556 875	5 686 833	861 164	-601 240	-	8 878	Completed
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	**622 777 435**	**374 721 643**	**33 667 045**	**-17 007 948**	**-**	**214 388 747**	-

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45. Remuneration of councillors

Mayor	798 913	867 611
Executive Committee Members	2 437 195	2 326 431
Speaker	729 488	689 814
Councillors part time	6 341 788	6 033 895
Councillors full time	794 053	654 964
	11 101 437	**10 572 715**

In-kind benefits

Councillors are classified based on their respective positions as at 30 June 2020 or the last day of service, as the case may be.

The Mayor, Speaker and three councillors are full time. Each is provided with an office and secretarial support at the cost of Council.

The Mayor has access to a municipal vehicle for official duties and is allocated a municipal house that can also be used to entertain official guests.

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46. Contracted services

Presented previously		
Refuse and waste removal	7 967 958	7 261 523
Outsourced services: Security Services	8 041 139	6 273 098
	16 009 097	**13 534 621**

47. Correction of prior year errors

Prior Period Error Adjustments

Finance Lease - The finance lease asset was capitalized inclusive of VAT. The impact of VAT implications resulted in the prior period error adjustment of both accumulated depreciation and finance lease asset cost.

Correction of Error Computer Equipment @ Cost 01 Jly 2019	-
Opening Balance 01 July 2019	8 713 640.11
Error - Finance Lease @ Cost	(702 951.46)
Restated Opening balance 01 July 2019	**8 010 688.65**

Correction of Accumulated Depreciation and Impairment 01 July 2019 - Computer Equipment	-
Opening Balance 01 July 2019	3 543 582.27
Error - Impairment Reversal	(11 941.05)
Error - Accumulated Depreciation - Finance Lease	(136 685.01)
Restated Opening balance 01 July 2019	**3 394 956.21**

During the 2018/19 financial assets were impaired to a carrying value of R1.00 as they could not be physically verified after investigation were done on them. However in the 2019/2020 the assets were located thus the reversal of impairment.

Correction of Accumulated Depreciation and Impairment 01 July 2019 - Furniture and Office Equipmen	-
Opening Balance 01 July 2019	3 240 474.86
Error Impairment Reversal	(2 343.83)
Restated Opening balance 01 July 2019	**3 238 131.03**

Correction of Accumulated Depreciation and Impairment 01 July 2019 - Machinery and Equipment	-
Opening Balance 01 July 2019	588 264.19
Error Impairment Reversal	(6 290.47)
Restated Opening balance 01 July 2019	**581 973.72**

Correction of Accumulated Depreciation and Impairment 01 July 2019 - Roads	-
Opening Balance 01 July 2019	27 444 957.74
Error Impairment Reversal	(100 141.00)
Restated Opening balance 01 July 2019	**27 344 816.74**

Correction of Accumulated Depreciation and Impairment 01 July 2019 - Storm Water	-
Opening Balance 01 July 2019	1 904 811.27
Error Impairment Reversal	(273 512.00)
Restated Opening balance 01 July 2019	**1 631 299.27**

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48. Rental of facilities and equipment

Municipal properties rented out	258 374	274 696